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More U.S. Tobacco to Japan

East European Cattle Industry

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This week's cover:

Tobacco fields in the Seto Inland Sea area of Japan, where declining tobacco acreage in recent years has expanded leaf import requirements to satisfy higher cigarette demand. Japan is second largest customer for U.S. tobacco, taking about 10 percent of U.S. leaf exports. An analysis of this important market begins this page.

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Climate Bright for U.S. Exports To Japanese Tobacco Market

By B. G. ANDREWS
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THE U.S. SHARE of Japan's important unmanufactured tobacco market could be on the threshold of a moderate upturn during the next few seasons—aided by growing cigarette consumption, combined with demand from more affluent consumers for quality blends and prestigious "made-in-America" products. Other factors that could benefit U.S. sales include a likely rise in Japan's total tobacco imports, owing to declining domestic production and blossoming tobacco industry growth.

Although Japan has traditionally looked to the United States as its primary source of leaf imports, this tradition was shattered in the past decade as U.S. tobacco had to settle for a declining share of a market that itself increased eightfold. In calendar 1972, the U.S. share of Japan's unmanufactured tobacco market dipped to the lowest level since 1952, largely as a result of Japan's continuing policy of diversifying leaf suppliers.

But Japan—largest tobacco importer in Asia—still ranks second only to the enlarged EC as a customer for U.S. tobacco and during the past 3 years has taken an average of 10 percent of all U.S. leaf exports. In spite of the shrinking market share, both the quantity and value of U.S. leaf exports to the booming Japan market have increased every year. Future sales seem almost certain to expand substantially, especially in view of dollar devaluation.

In the current crop year, Japanese purchases of U.S. tobacco are expected to reach 38,000-40,000 tons—compared with 33,237 last year—depending on the availability of needed qualities and grades. In coming years, the U.S. share of Japan's tobacco market will continue to depend on U.S. supply, availability, and price trends, as well as those in competitive supplying areas.

Japan has increasingly turned to imported tobacco, including quality U.S. leaf, for blending in improved and high-quality cigarettes. As living standards improve, consumer demand for quality products has climbed. As a result, consumption prospects and import requirements are expected to continue advancing, with imports probably reaching a total of 80,000 tons by 1975—over a third larger than the present level.

But in the past, Japan has turned to alternative suppliers for more and more of its tobacco requirements and this trend will probably continue. During the early 1960's, the U.S. market share of flue-cured dropped from almost 100 percent to about 55 percent as Rhodesia entered world trade with an inexpensive flue-cured tobacco of acceptable quality. When United Nations sanctions were imposed on Rhodesian tobacco exports in 1966, U.S. exports recovered somewhat, but were still well below the dominant share enjoyed 15 years earlier.

In the short run, Rhodesian supplies were offset by increased imports from the United States, India, and Thailand. Thus, the U.S. share recovered somewhat to peak at 64 percent in 1969. The decline in the U.S. market share during the past 3 years is in part the result of increased purchases from Turkey and Greece. In its quest for market diversion, Japan has also turned to Mexico, Taiwan, and South Korea.

IN 1972, THE People's Republic of China (PRC) shipped 40 tons of flue to Japan for tests. The Chinese flue is a transplanted Virginia flue grown in Shantung Province and is reported by officials to have the appealing characteristic of low tar and nicotine content.

Imports in 1972 were from China's 1971 crop and reports indicate this tobacco will age some before being finally tested. If it meets requirements, further commercial purchases could result. The PRC now produces an estimated 450,000-500,000 metric tons of flue-cured tobacco annually and the present trade deficit with Japan will tend to encourage increased trade.

Japan is also reported to be interested in Brazilian flue and has bought small quantities in recent years.

The Mexican Trade Fair in Japan in

December 1971 emphasized tobacco. Japan imported about 1,800 metric tons of Mexican tobacco (mostly burley) in both 1971 and 1972. Korea and India also exhibited tobacco at the 9th International Trade Fair in April-May 1971. Rhodesia could again be a source of flue-cured tobacco if U.N. sanctions are lifted.

Two developments that could affect trade patterns in the future are anti-Japanese sentiment in Southeast Asia and the surplus U.S. dollars that Japan currently holds.

JAPAN MAY WANT to increase imports from neighbor nations in Southeast Asia in an attempt to maintain good relations in that area. At the same time, Japan has an ample balance of U.S. dollars and some fear of a decline in yen value if the U.S. dollar depreciates further in terms of the yen.

Japan's tobacco industry is controlled by the Japanese Monopoly Corporation (JMC), a State agency administered by the Ministry of Finance. Via licensing, JMC controls the production of leaf and tobacco products and tobacco trade.

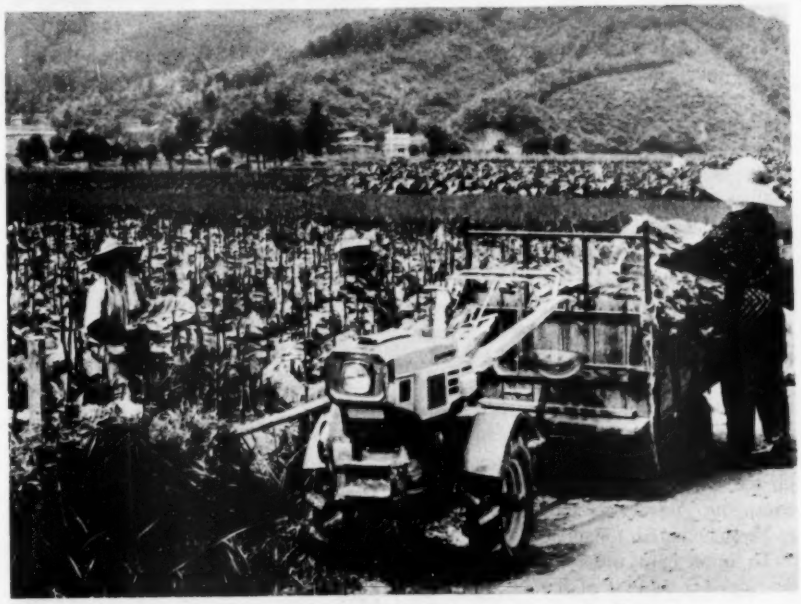
Currently, tobacco imports are duty free if imported by JMC. Imports by private individuals are subject to a 200-percent ad valorem duty on cigars and cheroots and a 355-percent duty on all other tobacco products.

In 1972, Japan's **tobacco supply,** including imports, was about 705,000 tons, slightly less than the previous year and about 4 percent lower than the high 1969 level. Supplies included about 81 percent domestic tobacco, 11 percent U.S. leaf, and 8 percent other foreign-grown supplies.

Domestic production continued to decline in 1972 with production totaling 142,000 tons, compared with about 212,000 tons in the peak crop year of 1964. Japanese agriculture features intensive use of scarce land resources, and fragmented farms are often multicropped.

Despite the record level of imports during 1972, ending stocks were lowest since about 1968. This, with expected increases in requirements and the prospect of further production declines, indicates a need for substantial imports in 1973.

Although Japan will begin a 5-year program to encourage increased production with the 1973 crop, the most that can be hoped for, according to some reports, will be a halt to the decline in planted area. Production of domestic



Burley tobacco grading by machine, top. Harvesting flue-cured, above.

burley-type tobacco is expected to continue trending upward, but other types could decline. However, demand for aroma-type flue-cured leaf will continue to grow, resulting in a further rise in imports.

Tobacco disappearance during Japan's fiscal year (April-March) 1972 totaled 228,000 tons of which only 4,000 tons were exported. About 11 percent or 25,000 tons of total manufacturer's use consisted of U.S. tobacco, mostly flue-cured leaf. This compares to only 17,500 tons of U.S. leaf used 4 years previously. Stocks of U.S. leaf totaled 51,000 tons at end-1972, about 10,000 tons higher than at the beginning of the year, owing to increased shipments of U.S. flue-cured and burley leaf during the year.

Raw tobacco production in Japan peaked at 468 million pounds in 1964, before beginning a downtrend that reduced production to 313 million pounds in 1972. This production decline, in the face of increasing prices, is due in part to industrialization, particularly decentralization of industry. Thus, as factories locate in rural areas, they absorb the labor force, so that production of tobacco, a labor intensive crop, is reduced.

In an effort to stimulate tobacco output during the period of decline, JMC has raised the price paid for tobacco, as well as diverted paddy land to tobacco. This was prompted by a rice oversupply, which occurred as Japanese tastes became more westernized.

ALTHOUGH TOTAL tobacco production is falling, burley output is rising. Thirty-four million pounds of burley were produced in 1972, compared with 26 million pounds in 1967—a 28-percent increase. During the same period, total tobacco outturn dropped from 460 million pounds to 313 million, a 32-percent decrease, while flue-cured was off 38 percent, skidding from 291 to 181 million pounds.

The switch to burley is due in part to changing goals under JMC's 5-year program, introduced in 1968. This was the first phase of a 10-year program aimed at changing overall tobacco management and production systems. A portion of the program was designed to up the quality of domestic leaf by encouraging growers to switch to burley and milder native tobaccos.

To implement these measures JMC developed a 5-point plan that included economic surveys to pinpoint areas with a comparative advantage in tobacco-growing in order to increase production in these areas. Loans were made available and cost-reducing facilities provided. New leaf-drying techniques for burley and native leaf were perfected to facilitate the switch from flue-cured.

Producers were also allowed to handle burley and native tobacco in loose-leaf form rather than tied hands. Finally, and possibly most important, JMC adjusted tobacco prices to reflect the actual supply and demand relationship of each type. A premium for mild-tasting tobacco was instituted.

Other steps have been taken to increase the domestic supply of mild tobacco. The most recent was the introduction in 1971 of a new variety of flue-cured tobacco known as "mild cure" (MC). The new variety was planted on 25,000 acres (26 percent of the flue-crop land) in 1972.

Japan is also looking to other parts of the world for high-quality flue-cured tobacco at bargain prices. At the request of the Governments of Ethiopia and Malawi, JMC agronomists performed soil and climate tests in these countries in March 1972 to determine suitability for producing Virginia flue-cured.

Japan's **cigarette industry** has enjoyed an annual growth rate of about 5 percent since 1967. The growth rate is due to increased population, rising per capita cigarette consumption, and a general, but erratic, uptrend in cigarette exports.

Cigarette and cigar prices have traditionally been very stable and prices remained constant from 1936-68. In 1968, JMC raised the prices of cigarettes and pipe tobacco by 22 percent and cigar prices by 19 percent.

Japan's traditional best-selling cigarettes—Hi-Lite—is an 80-millimeter filter tip, which has, until recently, enjoyed about one-half of the market. In 1969, Seven Stars, also an 80-millimeter filter-tip cigarette, was introduced.

In 1971, Seven Stars had 10.5 percent of the market and Hi-Lite had dropped to 37 percent. Other brands such as Hope, Peace, and Cherry are also enjoying increased sales as the switch to filter tips and milder cigarettes continues. All of these brands contain some American flue-cured tobacco.

JAPANESE CONSUMERS have switched almost entirely to filter-tip brands, and the demand for milder cigarettes continues, partly as a result of the health issue—not a major problem for Japan's cigarette industry since the Japanese enjoy a very low incidence of both heart disease and lung cancer.

Although the health question has not become a major problem, JMC has responded to demand for milder brands by searching for ways to further reduce tar and nicotine contents and produce milder cigarettes. Included are imports of milder tobaccos, a sheet process to reduce tar and nicotine in domestic flue, research to produce better filters, and attempts to produce milder domestic tobacco by inducing producers to switch to burley or mild native varieties. The JMC also introduced a mild variety of domestic flue and are working on a nontobacco product.

Cigarette sales in Japan will undoubtedly continue to expand. Demand for American tobacco should also increase as smokers continue to demand better cigarettes. However, licensing agreements between U.S. manufacturers and JMC may affect the demand for U.S. tobacco, and JMC officials are concerned over the increasing U.S. support prices, production limits, and suspension of export subsidies.

Since well over 90 percent of all Japanese cigarettes are filter-tip demand for tobacco is not likely to suffer further from the switch to filter-tip cigarettes. Filter-tips now account for about 94 percent of all Japanese cigarette production and regulars the remaining 6 percent. Other products include cigars and pipe tobacco.

JAPAN: LEAF IMPORTS, 1962-72

Year	U.S.	Total	U.S.	U.S.	Total	U.S.
	1,000 pounds	*1,000 pounds*	*Percent*	*1,000 dollars*	*1,000 dollars*	*Percent*
1962-66 (avg.)	31,081	52,674	59	29,687	43,271	69
1967	40,404	65,277	62	39,734	56,881	70
1968	35,341	60,082	58	34,031	50,653	67
1969	46,631	72,939	64	48,586	66,364	73
1970	43,898	72,741	60	45,185	65,516	69
1971	53,566	99,886	54	61,333	92,482	66
1972	68,703	132,399	52	83,421	129,043	65

Retail Food Prices Worldwide Show Mixed Trends, But Beef Prices Dip

World consumers got a mixed basket of price increases and drops during early November, as government policies, local market problems, and unsettled world markets continued to obscure any clear trend in food prices.

Beef prices dropped significantly, perhaps reflecting consumer resistance to high beef prices and shifts to less expensive pork and poultry. This shift, however, put more pressure on supplies of pork and broilers, and kept prices near or above September levels. Horticultural products showed seasonal price fluctuations, with tomato and orange prices trending sharply upward and apple prices downward.

World governments continued attempts to cope with high consumer food prices. The most common government action has been to freeze retail prices of some foods, especially meats, with often unpredictable results. Italian retail food stores have been squeezed between frozen retail prices and unregulated—and rising—farm prices. Stocks of olive oil, canned tomatoes, and sugar had all but disappeared from stores when the freeze ended on October 31, and price increases seem imminent.

Both Brazil and Argentina have established ceiling prices for meats—resulting in some shortages. Beef-hungry shoppers in Brasília can buy only liver, tongue, tails, and ground meat at posted prices, and often wait in long lines at independent butcher shops on days when beef is available. Beef is not in such short supply in Buenos Aires, but broilers are and purchases are limited to one bird per customer.

Markets also reacted to more traditional problems, such as production shortfalls and higher costs to consumers. Egg prices in Europe have risen sharply as producers passed along higher feed costs to consumers. Since farmers have been slow to increase egg production in response to these high prices—and since demand is traditionally high before Christmas—prices could continue at current levels.

In Australia, potato prices have increased by 100 percent since May, while onions are up almost 300 percent.

RECENT FOOD PRICE INDEX CHANGES IN SELECTED COUNTRIES, 1973

Country	Month	Index 1963=100	Percentage change from— Previous month	Three months	One year
United States	Aug.	163.8	+6.02	+8.33	+19.91
	Sept.	162.6	− .73	+6.07	+18.86
Canada	Aug.	160.5	+3.15	+7.14	+15.80
	Sept.	162.0	+ .93	+6.09	+17.14
Japan	Aug.	189.6	+1.88	+1.23	+12.79
	Sept.	197.6	+4.22	+6.87	+16.78
United Kingdom	Aug.	185.6	—	+ .60	+12.83
	Sept.	189.5	+2.10	+2.16	+15.13
Denmark	Aug.	212	+ .47	+3.92	+17.18
	Sept.	215	+1.42	+3.86	+18.13
Germany	Aug.	135.5	− .95	− .80	+ 7.54
	Sept.	135.2	− .22	−1.89	+ 5.63
Italy	Aug.	155.6	+ .71	+2.03	+13.00
	Sept.	156.4	+ .51	+1.76	+11.79
Belgium	Aug.	169.1	− .35	− .35	+14.88
	Sept.	169.5	+ .24	− .64	+13.91
	Oct.	170.8	+ .77	+ .65	+13.94
Netherlands	Aug.	165.9	+ .55	+1.04	+ 8.36
	Sept.	167.1	+ .72	+1.15	+ 8.02
	Oct.	167.9	+ .48	+1.76	+ 7.28
France[1]	Aug.	126.8	+ .80	+3.34	+ 9.78
	Sept.	128	+ .95	+2.98	+ 9.49

[1] Index, 1970=100. National statistical series for selected countries.

SURVEY OF RETAIL FOOD PRICES IN SELECTED CITIES, MID-NOVEMBER 1973
[In U.S. dollars per pound, converted at current exchange rates]

City	Boneless sirloin steak	Boneless chuck roast	Pork chops	Ham, canned	Bacon, pkged. sliced,	Cheese (Cheddar, Edam, Gouda)	Butter
Bonn	4.07	2.48	2.02	NA	2.34	1.41	1.35
Brazilia	.82	.58	1.17	1.95	2.33	NA	.88
Brussels	3.12	1.75	1.79	3.38	1.13	1.16	1.36
Buenos Aires	.69	.37	.43	6.26	1.16	.91	.92
Canberra	2.38	1.23	1.42	2.17	1.79	1.24	.88
Copenhagen	3.85	1.53	2.24	2.12	2.08	1.54	1.34
London	2.59	1.26	1.45	1.45	1.91	.75	.51
Ottawa	1.89	1.19	1.49	1.82	1.29	1.15	.75
Paris	2.52	1.43	1.88	2.52	2.73	1.33	1.30
Rome	2.51	2.19	1.63	NA	1.51	1.03	1.46
Stockholm	4.24	2.01	2.29	2.36	2.32	1.45	1.16
The Hague	3.28	2.14	1.92	1.90	2.92	1.31	1.20
Tokyo	12.41	6.62	2.15	2.48	4.31	1.31	1.53
Washington, D.C.	2.09	1.39	1.89	1.76	1.35	1.39	.89
Median	2.56	1.48	1.84	2.15	2.00	1.31	1.18

City	Broilers, whole	Eggs, doz.	Tomatoes	Onions, yellow	Apples	Oranges, per doz.	Bread, white
Bonn	.83	1.15	.41	.15	.22	1.64	.40
Brazilia	.69	.69	.27	.27	.30	.76	.21
Brussels	1.00	1.54	.76	.14	.26	1.62	.22
Buenos Aires	.42	.57	.28	.17	.22	.48	.24
Canberra	.90	1.11	.73	.67	1.06	.88	.33
Copenhagen	1.11	1.29	.92	.30	.39	1.53	.44
London	.63	.99	.48	.17	.29	1.74	.16
Ottawa	.75	.87	.49	.12	.22	1.34	.23
Paris	.89	1.46	.36	.19	.24	1.85	.39
Rome	.92	.79	.39	.23	.15	1.59	.36
Stockholm	1.26	1.32	.68	.38	.44	1.77	.27
The Hague	.79	1.30	.51	.17	.12	1.12	.16
Tokyo	.96	.69	.49	.29	.23	1.69	.42
Washington, D.C.	.59	.79	.59	.17	.33	.83	.27
Median	.86	1.05	.49	.18	.25	1.56	.27

NOTE: Items may vary by quantity and type. Different marketing practices may distort some prices.

Eastern Europe Steps Up Moves To Expand Its Cattle Industries

By THOMAS VANKAI
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RISING DEMAND FOR meat and milk, coupled with periodic beef shortages and high world prices, have compelled East European governments to stress expansion of their cattle industries.

A new phase in the livestock growth that began during the sixties may result in further gains in the market for U.S. feedgrains, soybeans, and breeding cattle stock.

Eastern Europe's initial thrust in livestock development—in hog and poultry production—quadrupled the area's purchases of U.S. soybeans and soybean meals by 1966-70 compared with 1956-60. Imports in the 1970's have continued that upward trend.

Now, with modern feeding methods being adopted for cattle and with the USSR's diminishing role as a net grain exporter, this trade growth is likely to extend to grains. More imports of breeding cattle will be necessary to help upgrade beef and dairy herds.

While livestock industries of the individual East European countries—Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Yugoslavia—vary significantly, all are currently benefiting from increased government investment at a time of lower emphasis on agriculture in general. Price increases, bonuses, grants, and breeding programs have been used to induce expanded and more modern industries. As a result, several countries have reversed the 1969-70 downswing in livestock numbers, and have made progress toward supplying increased consumer needs and/or further enhancing their export trade.

This additional stress on production today reflects a lack of attention in the past. All East European countries neglected their agricultures during the 1950's. Then, in the first half of the 1960's, they focused on expanding grain production, turning in the second half to poultry and hog production. It was not until the 1970's however, that cattle and forage production became a focal point.

All of Eastern Europe is participating in the current effort—despite agriculture's declining share of total investment in all countries but Czechoslovakia and Romania. However, objectives often differ markedly.

In the more industrialized countries of Czechoslovakia and East Germany, for instance, beef is becoming more important in consumer diets, with domestic demand providing the major impetus to production growth. But in the southern countries of Bulgaria, Hungary, Romania, and Yugoslavia, beef has been found to be a more stable—and lucrative—export earner than once-sizable grain exports.

With demand for beef on the rise, prices for slaughter cattle and beef have moved steadily higher, further encouraging production. According to FAO statistics, the annual average international export prices for slaughter cattle and beef between 1968 and 1973 were (in dollars per metric ton):

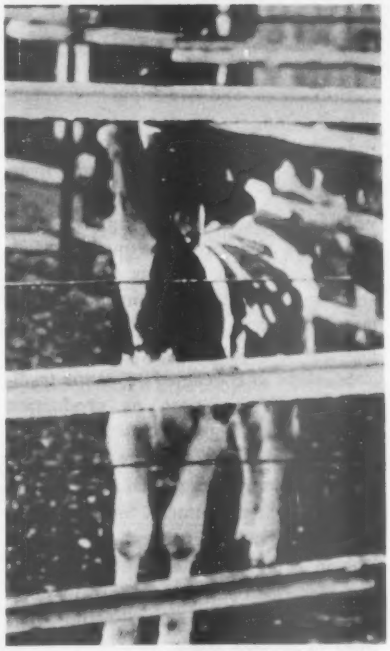
	Slaughter cattle	*Beef*
1968	408	800
1969	510	870
1970	570	1,080
1971	610	1,160
1972	965	1,760
1973 (1st quarter)	1,150	2,050

Present stage. Currently, the cattle industries of Eastern Europe are dual-purpose in nature, geared evenly for beef and milk production. Only Hungary has in recent years initiated a long-range plan to separate dairy and beef breeds.

DESPITE EFFORTS to bring production under state ownership, large numbers of cattle are still privately owned. This is true not only in Poland and Yugoslavia, where private farms predominate, but also in the other more socialized countries, where about 40 percent of the cows are owned by individual members of the collectives or by industrial and farmworkers. These individually kept cattle are fed mainly on roughages, rather than feed concentrates, and have low milk yields.

A trend from private to social ownership is in progress. However, until 1971, the reduction of private holdings was faster than the increase in the socialized sector, bringing a net reduction in numbers between 1968 and 1971.

Breeds of cattle vary widely in the seven countries. In East Germany are the German Black, Multicolored, and German Flecked; in Czechoslovakia, the Lowland Black and Whites, and Red and Whites; and in Hungary and Yugoslavia, the Red and Whites. In Poland,



In recent years, Czechoslovakia has built sheds, such as those above, capable of housing large numbers of cattle. Below Holstein heifer in Hungary.

the Lowland Black and White, and Lowland Red and White are gradually replacing the Polish Red type, while Bulgaria has mainly Simmental and Bulgarian Brown and Romania has Baltata, the Romanian Brown, and Holstein. The indigenous breeds in the southern countries have relatively better beef- than milk-producing qualities.

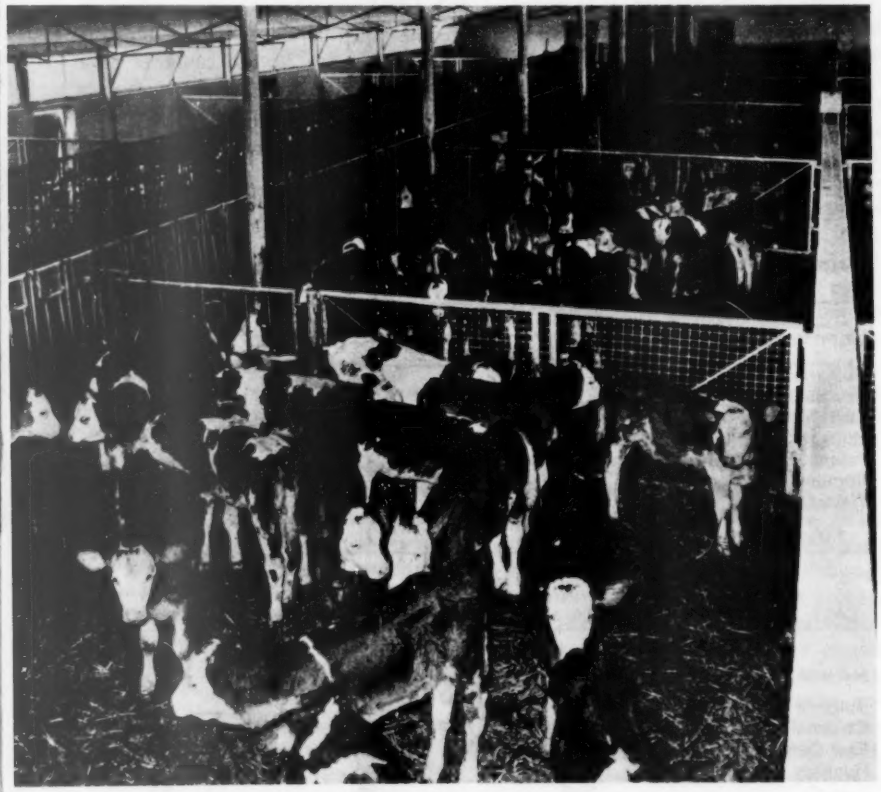
Only in East Germany is the density of cattle to agricultural land and pasture close to the West European level. The ratio of cattle number to human population is highest in Poland and below the regional average in Bulgaria, Hungary, and Yugoslavia.

Hungary is the area leader in beef yields and East Germany in milk yields. Hungary's performance is related to the good beef-producing quality of its native breed and to the higher slaughter weights than in other East European countries. East Germany is the only milk producer in the area to exceed the 6,614 pounds per cow deemed necessary for a profitable dairy industry.

Yearly per capita consumption of beef and veal is highest in Czechoslovakia and East Germany, at 44-46 pounds, but this is still lower than in West Germany, France, and Italy. Except for Poland, beef consumption elsewhere in Eastern Europe is only about half that of Czechoslovakia.

Per capita annual milk consumption is unusually high in Poland, at 558 pounds; however, a large amount of this is skimmed off and fed to hogs, rather than going for human use. Consumption elsewhere in Eastern Europe is less than half that level.

The share of beef going for domestic consumption is lowest in Hungary—the principal exporter of slaughter cattle. But future growth in consumption is slated mainly for Czechoslovakia and East Germany, while the other countries will continue to rely heavily on pork and poultry for their domestic needs. Within the latter group, population needs will probably be satisfied in the next 5 years through improvements in quality of pork and poultry and by making them available in a wider variety of processed forms. Demand for beef generally is not expected to increase much until the better choice cuts can be obtained on domestic markets.



Above, Czech calves in sheds with a 500- 1,000- animal capacity. Below, U.S. Holstein cows recently imported into Hungary.

ON THE TRADE SIDE, both cattle and beef are important foreign exchange earners for several of the countries. Fattened cattle earn for Hungary about $100 million annually in the export market. Yugoslavia counts baby beef as a top export and has recently concluded a 5-year agreement (1973-78) with the European Community to assure a stable market there.

Measures to expand output. The measures now being undertaken by all the East European governments reflect these diverse but growing needs. However, because of the slow reproduction capacity, the programs are of a long-range nature.

In general, all countries have taken steps to improve breeds and eradicate disease. They have raised prices to make the industry more profitable, offered bonuses for expanding herds and productivity, and made grants toward the building of new barns and reconstruction of old ones. The governments have also encouraged small holders to band together to form large producing units, with the major incentives being favorable interest rates and priorities on construction loans.

Governments have also assisted by importing the grain and protein feed needed for an expanding industry and

by making more fertilizer available for forages. With the help of feed imports, all the countries have been able to build up their feed mixing industries and improve feeding efficiency.

The Governments have also urged improvement in quality, quantity, and preservation of hay.

OF ALL THE COUNTRIES, Hungary has instituted the most comprehensive program to counteract a particularly acute decline in cattle numbers. For its current 1971-75 plan, the country has allocated some $500 million to bolster its cattle industry. A part of this will go to provide new barns for the 700,000 head of cattle to be added within the next 15 years. Toward this end, the country on January 1, 1973, increased producer prices of beef some 20 percent and of milk about 33 percent.

Poland's goals include a doubling of the previous plan's investment in cattle production during the 1971-75 plan period. Like Hungary, Poland is using breeding loans, grants, and other incentives to bring about the required growth. Such loans amount to up to 30 percent of the purchase price for cows and calves, and 20 percent for heifers.

Elsewhere, Yugoslavia in 1972 upped producer prices for young cattle and calves by 9 percent, and Czechoslovakia increased those for milk by 8 percent. Bonuses for fattening cattle to heavier weights are offered in East Germany and Czechoslovakia. Bulgaria pays bonuses for increasing fertility rates, lowering mortality rates, improving milk quality, and overfulfilling quotas.

Improvement also is coming through the import of superior breeds.

Hungary, for instance, has a program to import a few thousand Black and White Holstein cows or heifers annually, as well as some Red and White Holstein bulls. The bull offspring of the Holsteins and the Red and White Holstein bulls will be used for crossbreeding with domestic stock but the imported line will be maintained as purebreds. Hereford, Limousine, and Charolais are being used to improve beef qualities.

Crossings with the Russian Kostroma and Swiss Simmental have been tried, but unsuccessfully. In Bulgaria, Simmental and Brown, noted for their good beef qualities, have been used.

In Romania, the present large number of breeds is to be reduced to three principal strains—the Baltata, Romanian Brown, and Holstein-Friesian.

Partly as a result of such programs, Hungary in fiscal 1973 imported about 2,000 head of U.S. breeding stock, mainly Holstein heifers but also some Herefords. Yugoslavia imported about 1,000 U.S. Holstein cows in fiscal 1972, and Bulgaria imported small numbers of U.S. Holsteins in fiscal 1973. Hungary and Romania have also bought some Holstein cattle from Canada. Poland uses imported semen to revitalize its stock and recently made its first purchase of U.S. Holsteins.

In addition to these purchases, Poland has shown interest in buying complete buildings, including equipment for housing and feeding beef and dairy cattle and for mixed feed plants. The goal in Poland and several other East European countries is to start 1,000-3,000 units of beef cattle operations and 300-800 units of dairy operations.

Along with these developments must come expansion in processing and marketing facilities. Several countries have plans for increasing slaughterhouses and cold-storage capacities. These include a meat processing plant, with an annual capacity of 70,000 tons, being built in Poland with U.S. technology and imported machinery.

EAST EUROPEAN TRADE IN BEEF AND LIVE CATTLE FOR SLAUGHTER, 1966-70
[In thousands of tons]

Country	Imports		Exports	
	Beef and veal	Live cattle [1]	Beef	Live cattle [1]
Bulgaria	9	—	7	10
Czechoslovakia	30	2	6	16
East Germany	45	—	—	19
Hungary	10	—	29	55
Poland	7	—	24	19
Romania	—	—	50	18
Yugoslavia	—	—	76	15
Total	101	2	192	152

[1] Carcass-weight equivalent.

EAST EUROPEAN PER CAPITA MILK, BEEF, AND VEAL CONSUMPTION, 1966-70

Country	Milk	Beef and veal	Beef and veal's share of total meat
	Pounds	*Pounds*	*Percent*
Bulgaria	247	22	27
Czechoslovakia	256	46	34
East Germany	223	49	32
Hungary	236	20	17
Poland	558	31	30
Romania	247	18	28
Yugoslavia	256	18	28
Eastern Europe	326	29	—

EAST EUROPEAN CATTLE NUMBERS AND PRODUCTION, 1966-70 AND 1972 [1]

Country	Cattle		Cows		Beef and veal [3]		Milk	
	1966-70 Average	1972 [2]	1966-70 Average	1972 [2]	1966-70 Average	1972	1966-70 Average	1972
	1,000 head	*1,000 head*	*1,000 head*	*1,000 head*	*1,000 tons*	*1,000 tons*	*1,000 tons*	*1,000 tons*
Bulgaria	1,366	1,520	588	660	187	170	1,194	1,710
Czechoslovakia	4,352	4,466	1,923	1,906	541	596	4,522	5,100
East Germany	4,996	5,379	2,177	2,169	554	610	7,036	7,500
Hungary	1,973	1,893	767	762	305	298	1,917	1,835
Poland	10,083	10,921	5,910	5,857	1,014	1,023	14,615	15,700
Romania	5,127	5,766	2,157	2,837	443	468	3,580	4,000
Yugoslavia	5,455	5,180	2,775	2,790	511	530	3,366	3,427
Eastern Europe	33,352	35,125	16,297	16,981	3,555	3,695	36,230	39,272

[1] Preliminary. [2] End of year. [3] Live weight.

Steady Growth Expected in The U.K. Soybean Oil Market

By JOHN R. MOORE
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University of Maryland

THE UNITED KINGDOM is a large market for soybean oil and prospects look bright for future growth. The rate of growth, however, will depend on several interrelated factors.

There has been a changing pattern of use of edible fats and oils in the United Kingdom since 1967. Although animal fats—mainly butter and lard—constitute about 48 percent of the country's edible fat and oil supply, they have been losing market share to vegetable oils, which now have climbed to 41 percent. Marine oils also have been losing market share. In the 6-year period 1967-72, soybean oil's share of the market increased from 3.6 to 8.6 percent.

The United Kingdom imports about 90 percent of its edible fats and oils supplies. Buyers import those combinations of fats and oils that minimize their cost of producing the products consumers want. These combinations, however, fluctuate with changing factors. The major factors affecting these combinations include changes in the relative prices of various fats and oils, variations in consumer tastes for fats and oil products, and improvements in technology for refining fats and oils and for manufacturing products.

Each edible fat and oil has characteristics that determine its value in the final product. These characteristics include melting temperature, degree of hydrogen saturation, flavor and flavor stability, plastic range, color, fatty acid content, and foamability. However, the level of premiums paid for the more desirable combinations of characteristics varies from year to year.

Edible fat and oil processors use the combination of fats and oils in their products that satisfies their minimum quality standards at the least cost. As much as possible, the less expensive edible fats and oils, such as soybean, palm, fish, and rapeseed, are substituted for the more costly ones, such as peanut, cottonseed, and sunflower oil.

Although prices of many fats and oils in the United Kingdom have changed considerably in recent years, they tend to move together, and some remain a good deal higher than others. Soybean oil prices, for example, coincide closely, but are generally slightly lower, than the average of other edible oil prices. The lack of a premium for soybean oil is partly because of rapidly increasing supply—up 139 percent in the U.K. market in 6 years—and also because of its tendency to change flavor if not partially hydrogenated or properly handled.

Changing British consumers' tastes, too, play an important role in edible fats and oils use. They have been most noticeable in the declining consumption of butter, lard, and compound cooking fat. Per capita consumption of butter, alone, dropped from 21 to 18 pounds between 1966 and 1971. At the same time, consumption of margarine and liquid oils for salads and cooking rose.

Considerable effort is being made in Britain, as well as several other countries, to find ways to upgrade the quality of less expensive edible fats and oils so that more of them can be used in the manufacture of products. Because they are relatively inexpensive, soybean oil and palm oil have been the subjects of much research. The quality of soybean oil has been improved by new processes of hydrogenation, winterization, clarification, advances in refining, and new methods of blending. As a result, soybean oil is being used in expanding quantities in numerous edible oil products. Palm oil, as well, is benefiting by new technology, particularly from its fractionalization.

The quantities of various edible fats and oils utilized in the United Kingdom depend on the number of products produced and the formulas used to make them. Soybean oil, for example, is used mainly in margarine and in liquid salad and cooking oils. Consumption of these three products is expected to continue upward because of changing tastes and rising prices of such competing products as butter and lard. The trend toward expanded consumption of soft margarine particularly favors soybean oil because soft margarine is manufactured with larger quantities of liquid oils than the harder variety.

The amount of soybean oil used in margarine in the United Kingdom between 1965 and 1971 ranged from 16,000 to 60,000 metric tons and, on the average, 39 percent of all soybean oil used during that period was for margarine. In the same 7-year period, the United Kingdom's annual use of soybean oil in compound cooking fat ranged from 3,000 to 11,000 tons. This was an average of 8 percent of all soybean oil used. The major use of soybean oil, however, has been in the manufacture of liquid salad and cooking oils.

NEW TECHNOLOGY has been changing the relative acceptability and commercial value of many edible fats and oils. This technology is likely to favor soybean oil over others because soybean oil's relatively lower price encourages refiners and product manufacturers to develop new technology to make it more useful. Also, an expected decline in the relative price of soybean oil will allow U.K. firms to adopt more widely such soybean oil technology as hydrogenation and winterization, not now extensively used because of high cost.

The annual average differences between soybean oil prices and prices of several other edible oils in the United Kingdom between 1964 and 1972 show that fish oil sold at 27 percent less, and palm oil prices were 5 percent lower. On the other hand, during the same period peanut oil sold at a premium of 41 percent above soybean oil, cottonseed oil was 24 percent higher, and sunflower oil, 9 percent.

The price for soybean oil relative to most other fats and oils in the United Kingdom is expected to decline for several reasons. The most important are: A reduction in soybean oil tariffs as a result of the United Kingdom's accession into the European Community (EC); an expected large in-

Continued on page 16

This report is based on a market development study sponsored by the American Soybean Association in cooperation with the Fats and Oils Division of the Foreign Agricultural Service.

Pakistani Trade Recovers Rapidly After Loss of Bangladesh

By AMJAD H. GILL
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ASIDE FROM THE RECENT setback brought by floods, Pakistan's agricultural production and trade have been flourishing during the past year, leading the country to a dramatic recovery from the difficult period of 1971-72.

At that time, the country was still reeling from the strain of war with India and the loss of East Pakistan, now Bangladesh—problems that were complicated by prolonged drought and a shortage of foreign exchange. Many people felt that recouping from such a situation, which included radically changing traditional trade patterns, would take many years and accompanying economic hardships.

As it turned out, however, Pakistan's problems were soon followed by worldwide agricultural shortages at a time of accelerating demand. Thus, the country was rapidly able to find expanded markets for its cotton, rice, and other farm products that had traditionally moved to Bangladesh and to use this development as the basis for a general economic recovery.

Past trade patterns. East and West Pakistan, in spite of physical separation, had been an integrated economic unit until their separation in 1971. That break destroyed a common currency, market, and free flow of goods, personnel, and capital. Assets and personnel suddenly became isolated on opposite sides of the Indian subcontinent. West Pakistan found itself cut off from the market for more than one-third of its exports and the source of one-sixth of its imports. Assets invested in industrial and commercial sectors in the East were beyond the reach of owners in the West.

As East Pakistan, Bangladesh had been of special importance to agricultural production and trade.

Jute, grown exclusively there, supplied the West with bags, rope, and raw jute for flourmill bags. Jute and jute products, in addition to domestic use, brought about 45 percent of Pakistan's total export earnings before the war. And bales made of jute were used as packaging for raw cotton, a major export of West Pakistan.

In addition to the jute, the East shipped tea, paper, and spices to the West, while importing about 300,000-400,000 tons of West Pakistani rice each year. It also depended on West Pakistan for raw cotton to supply its textile mills and for about 40 percent of its mustard and rapeseed oil needs.

Partly because of such interdependence, the creation of Bangladesh as an independent nation had a major initial shock. Economic growth in Pakistan plummeted to 0.2 percent in 1970-71, inching up to 1.4 percent the following year. The cessation of trade with Bangladesh led to the closing of many factories that had traditionally produced items for the East. This idled workers, causing widespread unemployment and economic distress for the working class.

To overcome such problems, Pakistan moved to restructure much of its economy—a process that continues today.

Trade patterns today. Pakistan has managed to switch its trade to other markets with remarkable speed. As a result, Pakistan's exports rose by about 41 percent in fiscal 1972, then climbed another 36 percent to about $800 million the following year. Imports in fiscal 1973 were held to some $850 million, cutting the total balance-of-payment deficit to $200 million—half that of the previous year.

Also helping Pakistan's foreign exchange earnings were devaluation of the rupee in May 1972 and abolition of an overly complicated Export Bonus Scheme, which had been in operation since 1959. The devaluation was achieved as a result of Pakistan's move in September 1971 to aline the rupee with the U.S. dollar from the pound sterling. This was done to maintain the export competitiveness of Pakistani goods in the world markets. The pound sterling had begun to appreciate in relationship to the U.S. dollar and certain other currencies following the suspension of the convertability of the U.S. dollar into gold.

Of the total trade, raw and processed agricultural products accounted for about 85 percent, with raw cotton, cotton products, and rice together making up about 65 percent.

Whereas jute had once been the prime foreign exchange earner, cotton is now the lifeline of Pakistan's economy. Recently, it has been accounting for about 58 percent of the total foreign exchange earnings.

After the 1971 war, Pakistan had a lot of medium-staple cotton—some 330,000-400,000 bales of 480 pounds each seeking new markets. While new trading partners did not emerge, old ones—driven by a growing world cotton shortage—greatly expanded preexisting trade for a cotton that is all purpose, quite versatile, and in great demand worldwide. Rising world cotton prices gave an added boost to Pakistan's foreign exchange situation.

Pakistani exports of raw cotton to Japan expanded from 62,049 bales (480 lb. net) in crop year 1969 (Aug. 1, 1969-July 31, 1970) to 319,876 in crop year 1971. In the same period, exports to Hong Kong climbed more than two and a half times from 97,598 bales to 246,666.

COTTON YARN EXPORTS have been extremely favorable, rising from 318,126 bales in crop year 1969 to 578,625 in crop year 1971. Exports to Japan in that period rose from 21,946 bales to 100,149 and to Hong Kong from 125,017 to 247,559. Other major customers for the yarn have been Indonesia, the United Kingdom, and West Germany.

This doubling of yard exports has been brought about in part by more favorable customs treatment than for cotton—a 25 percent export duty as opposed to 45 percent for the raw cotton. The smaller base for yarn is intended to help keep domestic prices of raw cotton down and to encourage exports of more finished goods because of their greater total impact on the economy than raw products.

While the problem of finding additional foreign markets for its cotton was speedily solved, that of finding a replacement for the jute and jute bagging once imported from Bangladesh

has been more troublesome.

Raw cotton—more expensive than jute but abundant—was chosen as the main alternative for jute in bagging and baling. However, the greater industrial use of cotton boosted total domestic consumption, causing internal shortages and a strong inflationary push on prices.

As a result the Government earlier this year deemed cotton an essential consumer good and in its fiscal 1974 budget, effective July 1, raised export duties on cotton from 35 to 45 percent and those on yarn from 20 to 25 percent.

SINCE THEN, even more restrictive measures have been considered necessary, and a complex set of export taxes was imposed in mid-July, bringing the tariff up as much as 75 percent on raw cotton, which sells for more than 1,500 rupees per 400-pound bale, or 38.11 cents per pound, f.o.b. World prices considerably exceed that level.

While it was expected the new duties would probably not substantially hinder the export of Pakistani cottons, the damaging floods of recent weeks have made the question of supply rather than demand more important for the current season. On August 27, the Pakistani Government suspended all exports, Desi varieties excepted, until extent of the damage could be assessed.

To break the price spiral, the Government has taken several other measures affecting the textile trade. These include reduction of import duties on synthetic fabrics, especially rayon, and encouragement of the use of paper bags for cement and polypropylene bags for fertilizer.

The situation for Pakistani rice has been similar to that for cotton.

Before its separation, Bangladesh was receiving 300,000 to 400,000 metric tons of Pakistani IR-8 rice—a coarse rice grown especially for that market and unacceptable to the Pakistanis. As a result, there was considerable doubt concerning Pakistan's ability to find markets for this rice.

SOON, HOWEVER, a world rice shortage began to develop, erasing those doubts. As serious drought gripped Indonesia and Sri Lanka, these countries became customers for the Pakistani rice, importing 176,104 and 64,026 metric tons, respectively, during January-March 1973.

Pakistan also produces "Basmati," a premium rice that brings high prices in the world market. Africa and the Middle East are major buyers of this rice.

Because of the strong export demand, Pakistan exported a record 752,750 metric tons of rice during July-May of fiscal 1973—some 55 percent more than shipments in fiscal 1970, when East and West Pakistan were one unit. This high level of exports was achieved not only because of the diversion of shipments from Bangladesh to other markets but also because there had been a sizable carryover stock from the previous year.

In contrast to its trade, Pakistan's rice production has been gaining only moderately over the last few years. From 2.2 million metric tons in 1971, production rose to 2.3 million in 1972 and earlier had been projected at 2.5 million for 1973. (However, the recent floods may reduce the actual 1973 outturn.) With rising world prices, Pakistan hopes to further increase its production of high-yielding varieties of rice.

Both before and after the loss of Bangladesh, the Government of Pakistan was encouraging farmers to increase domestic and export production of foodgrains and other crops. Price supports, agricultural extension services, and subsidies on key inputs such as fertilizer and pesticides were among the incentives offered.

In the case of cotton, the expanded availability of fertilizers and pesticides helped to bring a spectacular increase in cotton production—to 3,250,000 bales—in 1971-72 from only 2,425,000 the year before. Production in 1972-73 about equaled the 1971-72 outturn, and prior to the floods, the 1973-74 crop had been expected to expand slightly.

FOR BASMATI and coarse rice, higher prices have been used as a major incentive. The Government, for instance, increased the procurement price of Basmati rice from the equivalent of US$102 per metric ton in fiscal 1972 to $124 per ton in fiscal 1973 and $161 in fiscal 1974. For coarse IRRI rice, the price was upped from $58 per ton to $70. These prices received a further boost on August 11, 1973, when the Government raised the price for Basmati to $167 per ton and that for IRRI rice to $72. The latest gain is intended to facilitate Government efforts to procure larger stocks for export.

Netherlands Seeks To Repay Farmers For Money Change

The Dutch Government is seeking ways to offset possible losses to farmers resulting from its 5-percent guilder revaluation September 17.

This action, one of a series taken to reduce inflation, may mean lower farm prices, since support prices in guilders will be calculated at the rate of 3.44 instead of 3.62 guilders to one unit of account.

The Dutch Government has decided not to maintain prices at the farm level. Instead it has asked EC authorities for permission to compensate for any income loss by increasing tax rebates to farmers by 2 percent, the same procedure reportedly employed by West Germany to compensate its farmers.

The current tax rebate to farmers amounts to 4.25 percent, added to farm products at the time they are sold. Because the revaluation amounted to a 5-percent hike, farm organizations have pointed out that even with the tax rebate boost, the farm sector would remain at a disadvantage.

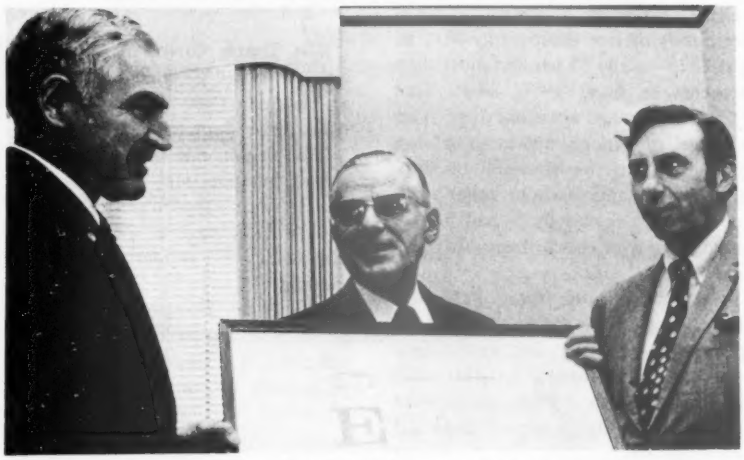
In response to these claims, the Ministries of Finance and Economic Affairs have submitted joint notes to the Dutch Parliament requesting an increase to 6.25 percent in the value-added tax refunded to agriculture through April 1, 1974.

The European Agricultural Fund has agreed to contribute the equivalent of 18 million guilders (1 guilder=US $0.40) to the Dutch Government to help compensate for income loss owing to the guilder revaluation. However, the total cost to the Government of the higher tax payment will amount to 120 million guilders. Consequently a thorough study seems assured before the request to boost the tax rebate is acted on.

It is expected the Government's revaluation will dampen to some degree the growing foreign demand for Dutch farm exports that has prevailed in recent years. While a decline in farm prices may reduce imported feed supplies for the livestock sector, overall returns to producers of livestock and livestock products could be smaller.

—Based on dispatch from
JEROME M. KUHL
U.S. Agricultural Attaché, The Hague

Hubbard Farms Ups Poultry Exports, Adds Star to Earlier "E" Award



"E" Award ceremony: Left to right, O. Wentworth Hubbard, President of Hubbard Farms; Agriculture Secretary Earl L. Butz; and Warren Rodat, Manager of Hubbard Farms' foreign marketing division.

Hubbard Farms, Inc., winner of the President's "E" Award in 1968, was further honored October 17, 1973, when it received a Star to accompany its original certificate. The Star was accepted by O. Wentworth Hubbard, president of the Walpole, N.H.-based breeding operation, in a private ceremony in the office of Agriculture Secretary Earl L. Butz in Washington.

The company received both awards for its success in increasing exports of poultry breeding stock. Presently, exports account for 50 percent of Hubbard's total sales volume, giving the firm a substantial share of international trade in poultry breeding stock.

In Argentina, Hubbard has established a cooperative franchise outlet to meet both company and national standards. The franchise is staffed with technical personnel who sex, grade, and deliver the day-old chicks which are hatched at the franchise.

By entering Random Sample Tests, in which samples are selected from a larger batch for growout and testing, Hubbard Farms has been able to publicize its products in the Singapore/Malaysia area.

Ireland's classification as a disease-free country has led Hubbard to establish a joint hatching venture known as Hubbard-Ireland near the town of Mullingar, Ireland. This location has permitted Hubbard to export poultry breeding stock to countries where health rules prevent direct importation from the United States.

Hubbard has also formed cooperative ventures in Japan and Europe. Japan-Hubbard Association, composed of Japanese hatcheries, has a staff of technicians to insure uniform product quality, and publishes its own monthly periodical for breeders. According to the company, Japan-Hubbard Association supplies 30 percent of Japan's broiler breeding stock.

And in Europe, Hubbard has formed a number of joint ventures in the past 3 years, largely through efforts of a corporate holding company, Hubbard Europa, which coordinates all activities of the parent firm's seven European subsidiaries.

Hubbard uses several marketing techniques to promote its products overseas—seminars for franchised distributors conducted by its Research and Development Staff, publication of technical papers detailing recent poultry industry developments, and distribution of free sales promotion materials to local Hubbard distributors. It also participates in international symposia.

New Zealand's Wine Output Keeping Pace With Consumption

New Zealand is becoming an increasingly important wine producer with a volume that rose from less than 1 million gallons in the early 1960's to 5 million in 1973. Consumption is keeping pace.

Most New Zealand vineyards are relatively small with an area averaging under ½ acre. In 1970 there were an estimated 3,265 acres in production yielding a total of 13,233 tons of grapes. The number of commercial winemakers (158) for such limited acreage is relatively high. Product breakdown is 96 percent wine, 2 percent grape juice, 2 percent table grapes.

The bulk of the grapes is grown in the northern half of North Island with Hawke's Bay, Poverty Bay, and the Waikato regions as principal producing areas. Some attempt is being made to grow grapes in the Nelson area of the South Island, but this project is still in its infancy.

New Zealand's wine consumption has matched its increase in production up to this point. In 1938, consumption was 0.2 gallons per capita per annum, rising to 1.2 gallons in 1970. Government policies tend to increase wine consumption by doubling the excise tax on beer in 1958 and levying a hefty tax on spirits but without placing an excise tax on wine.

Austrian Poultry Levies

An October 15, 1973, change in Austrian tariff schedules and procedures affects poultry items in which the United States has an interest.

Turkey meat is exempt from import levies through December 14, 1973. Levies for chicken meat are reduced until November 30, 1973.

Turkeys and turkey parts comprised $217,000 of the total $243,000 poultry meat exports from the United States to Austria in 1972.

At the time the temporary suspensions became effective, the permanent level of import protection for frozen chickens, frozen eggs, and shell eggs was increased by raising the minimum import ("threshold") prices from 10 to 20 percent. The Austrian tariff system for poultry and eggs is based upon a set of minimum levies, plus "variable levies" to implement threshold prices.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 20	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.75	−11	2.75
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	2.59
U.S. No. 2 Dark Northern Spring:			
14 percent	5.46	+13	2.49
15 percent	(1)	(1)	2.51
U.S. No. 2 Hard Winter:			
12 percent	5.41	− 1	2.48
No. 3 Hard Amber Durum	8.11	+86	2.59
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.19	+14	1.69
Argentine Plate corn	3.40	+13	2.10
U.S. No. 2 sorghum	3.33	+ 6	1.75
Argentine-Granifero sorghum	3.28	+ 3	1.76
U.S. No. 3 Feed barley	2.82	+10	1.55
Soybeans: [3]			
U.S. No. 2 Yellow	6.40	+23	4.08
EC import levies:			
Wheat [4]	[5] 0	0	1.34
Corn [6]	[5] .06	−26	1.10
Sorghum [6]	[5] .04	−11	1.03

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] New crop. [4] Durum has a separate levy. [5] Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [6] Italian levies are 18 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

Taiwan To Import Australian Barley

Australia has sold 100,000 tons of barley to Taiwan at $121 per ton. Taiwan has been a substantial buyer of Australian barley in recent years.

Rains Reduce Estimate Of Australia's Wheat Crop

Further reports from Australia continue to confirm that serious damage has resulted from continued rains in New South Wales and South Australia, increasing the incidence of disease (stem rust) in the wheat crops in those two States. Victoria's crop is affected less because planting was earlier and the crop is further advanced.

Indications are that the Australian wheat crop will range between 400 million and 450 million bushels, compared with a previous USDA estimate of 485 million bushels.

Canada Makes Final 1972 Grain Payments

On July 6 the Canadian Wheat Board announced final payments for wheat, barley, and oats delivered in 1972-73 that will give farmers their highest cash returns since World War II. The final payments, added to initial payments made earlier, bring total payments to $2.25 per bushel for wheat, $1.52 for barley, and $1.10 for oats. These prices are on the basis of Thunder Bay on Lake Superior, from which elevator and shipping costs must be deducted.

Japan To Boost Rice and Grain Prices

The Japanese Rice Price Deliberation Council is discussing a Government plan calling for a 13.8-percent increase in the consumer price of rice and a 35-percent increase in the price of wheat and barley. The boosts would mean a price increase for U.S. Hard Winter ordinary from $3.33 per bushel in 1973 to $4.53 per bushel in 1974. By comparison, the current EC threshold price for Hard Winter ordinary (adjusted for quality coefficient) is $4.11 per bushel.

Pakistan Buys Canadian Wheat

Pakistan has contracted for 240,000 metric tons of Canadian wheat for November-January delivery. Shipments will be made from west coast ports. The amount significantly exceeds the 1972-73 level of 173,000 metric tons, as well as the average of 99,000 metric tons from 1968-69 through 1972-73.

U.K. Grain Crop To Set New Record

The United Kingdom's 1973 grain output is expected to set a new record of 15.7 million metric tons—2.6 percent larger than last year's record level. The biggest increase is expected in wheat, up over 7 percent to 5.1 million tons. The barley harvest is estimated at 9.3 million tons—1 percent above that of 1972. U.K. production of oats, rye, and corn are all expected to be lower (a total of 1.2 million tons, compared with 1.3 million tons in 1972).

LIVESTOCK AND MEAT PRODUCTS

Brazil Reduces Beef Exports

Brazil's National Monetary Council has announced that beginning January 1, 1974, and continuing until December 31, 1977, Brazilian exports of beef (including fresh, chilled, and processed) will be limited to 80,000 metric tons annually. This action results from a domestic meat shortage which has caused price increases of nearly 100 percent for some cuts of beef over the past 6 months.

Total exports of Brazilian beef were 169,000 metric tons in

1972. It is anticipated 1973 exports will be about the same.

Principal recipients of Brazilian fresh and frozen beef exports are the European Community (original six members), the United Kingdom, and Spain. The United States receives a major portion of the canned and processed beef exported by Brazil. However, effect of the action by the Council on exports of canned and processed beef is expected to be small.

SUGAR AND TROPICAL PRODUCTS

FAO Estimates World Cocoa Production and Grind

In October, the Statistics Sub-Group of the United Nations Food and Agricultural Organization's Intergovernmental Group on Cocoa estimated 1973-74 world cocoa production at 1.45 million metric tons, an increase of 1.7 percent over the revised 1972-73 crop estimate of 1.426 million. World cocoa bean grindings for 1974 were forecast at 1.584 million tons, off slightly from the estimated 1973 grind of 1.596 million tons.

Based on FAO statistical data and allowing for a 1-percent weight deduction for loss in moisture, a world stock drawdown of 184,000 tons can be expected for 1973. A stock reduction of 149,000 tons is forecast for 1974.

FAO estimates for major producing countries in thousands of tons, with 1972-73 data in parentheses, are: Ghana, 396 (420); Nigeria, 223.5 (241); Brazil, 203 (158.7); Ivory Coast, 190 (181); Cameroon, 112 (103); Ecuador, 72 (71); Dominican Republic, 39 (28); and Papua, 30.5 (23.1).

Estimates of grindings for the major consuming countries in thousands of tons, with 1973 data in parentheses, are as follows: the United States, 260 (290); West Germany, 152 (155); the USSR, 135 (135); Netherlands, 118 (124); and the United Kingdom, 96.5 (106).

Australia Sells Sugar to China

Australia announced on November 5 that contracts had been made to supply the People's Republic of China with sugar. On a 3-5 year basis, Australia is to make available 300,000 tons of sugar each year. The price is to be negotiated later. Australia did not ship sugar to the PRC until 1972 when 37,157 tons were exported.

Supplies, Prices Dominate FAO Hard Fibers Meeting

The FAO Intergovernmental Group on Hard Fibers held its Sixth Session in Rome, September 17-21, 1973. Short supplies and high prices, sparked by 2 successive years of subnormal crops, were discussed.

During 1973, prices for sisal and henequen, used extensively in baler and binder twines and thus important to the U.S. hay industry, rose to levels previously recorded only during the Korean crisis. As of late October, prices for East African sisal, grade A, were nominally quoted at 27.75 U.S. cents a pound, c.i.f. gulf ports. Comparable prices a year earlier averaged 12.85 cents.

Because of currency revaluations, rising freight rates, and progressive worldwide inflation, the Group agreed on a new indicative price range equivalent to 15.4 U.S. cents a pound, plus or minus 2.2 cents for East African sisal, UG grade, c.i.f. Europe. The importing countries emphasized, however, that, in their view, any price significantly above 13.2 cents a pound was uncompetitive with synthetic products. The Group provisionally adopted an informal global export quota of 605,000 metric tons for 1974, plus an additional 25,000 tons for small producers. This is the same as the 1973 quota.

FATS, OILS, AND OILSEEDS

U.K. Oilseed Duty Suspended Till Yearend

The United Kingdom announced on October 1, 1973, that an earlier suspension of import duties on oilseeds, cake, and meal from all sources will be continued until December 31, 1973. While soybean imports have been free of import duties since 1968, soybean meal is subject to a duty of 10 percent, when imported from the United States.

Brazil Sets New Rules On Seed and Vegetable Oil Trade

The Foreign Trade Division of the Bank of Brazil (CACEX) has reportedly issued a statement indicating Brazil's intention to import soybean and sunflowerseed oils to meet an apparent vegetable oil shortage resulting from excessive export commitments of 1973 soybeans and oil.

In addition, peanut oil exporters must present proof that they have imported a volume of soybeans or sunflowerseed oil equal to the amount of peanut oil they want to export. An export quota on peanuts will be in effect for the period December 1973 to November 1974, limiting foreign sales to the volume exported during the same period of 1972-73.

In addition, the Custom's Policy Council has cancelled import duties on raw and refined cottonseed, corn, peanut, soybean, and sunflowerseed oils through March 31, 1974.

Argentine Sunflower Area To Drop in 1973-74

The Argentine Ministry of Agriculture estimates 1973-74 sunflower area will be 3.57 million acres—down 13 percent from last season and 5 percent below average plantings of the past 5 years.

Sunflowerseed planting, which usually takes place on some of Argentina's less desirable soil in areas prone to flooding, has been delayed because of unfavorable weather in recent weeks. The state of the weather during seeding time will determine the area eventually seeded to sunflowers.

Major Buyers Import More Oilseeds and Meal in 1972-73

Net imports of oilseeds and meals into six major importing countries (Japan, West Germany, France, Denmark, the United Kingdom, and Spain) during the 11 months, October 1972-August 1973, amounted to 14.6 million tons (soybean meal equivalent), 7.7 percent above the same months in 1971-72. The 1.05-million-ton increase was equal to the meal fraction of 48 million bushels of soybeans.

Imports of soybeans and meal alone, at 9.4 million tons, increased by 1.1 million tons (52 million bushels of soybean protein fraction) from the comparable 1971-72 period.

Fish meal imports during the 11-month period in 1972-73 declined to 930,000 tons (soybean meal equivalent), 630,000

tons below the comparable period in 1971-72. The drop in fish meal imports in the 1972-73 period was equal to the protein fraction of 29 million bushels of soybeans.

In August 1973, import growth for oilseeds and meals slackened but was still 2.1 percent above the same month in 1972. However, August imports of soybeans and meal at 630,000 tons were 6 percent below a year earlier.

Fish meal imports in August, at about 110,000 tons (soybean meal equivalent), were 24 percent below the August 1972 volume.

Partly offsetting these declines, were significant increases in imports of other meals, principally peanut and cottonseed.

DAIRY AND POULTRY

Dominican Republic To Produce Fertile Eggs

A new facility is being established in the Dominican Republic to produce fertile eggs for broiler production. It is planned to turn out 1.4 million eggs monthly which would make the Dominican Republic almost self-sufficient in such eggs at present consumption rates. A major U.S. poultry firm is a stockholder in this enterprise and will provide technical supervision.

Japan's Dairy Farmers Seek Price Boost

Japanese dairy farmer cooperatives have asked dairy processors to increase their purchase price for raw milk to an equivalent of U$11.45 per hundred pounds—up from a 1972 average of $8. Currently the retail price of milk in Japan is equivalent to 50 U.S. cents a quart.

Greek Poultry Price Boost May Bring Higher Import Levy

The Government of Greece has announced new internal prices for domestically produced broilers. They are equivalent to about 68 U.S. cents per pound for eviscerated poultry selling at wholesale. Since entry charges for imported poultry are intended to protect internal prices vis-à-vis world prices, a change is expected in the Greek "gate levy," the surcharge used to equalize prices of imported and domestic poultry.

On the basis of recent c.i.f. quotations of $1,180 per metric ton for imported broilers (53½ U.S. cents per pound), a gate levy equivalent to almost 13 cents per pound is expected. However, the level is subject to adjustment for internal and external price levels.

In past periods when this levy has been in effect, the conventional tariff for poultry has been waived.

FRUIT, NUTS, AND VEGETABLES

Australian Canned Fruit Pack Up 9 Percent

Australia reports a larger 1973 canned deciduous fruit pack. Total production is estimated at 10.3 million cases (basis 24/2½'s), 9 percent above that of 1972, but 9 percent below the 1971 record. Dry conditions in the Goulburn Valley caused only sizing problems in canning peaches and pears. However, apricot production was more seriously damaged and suffered additional losses from extreme heat during harvest.

Canned peach production is estimated at 4.6 million cases, slightly above the 1972 total of 4.5 million cases. Canned pear production totaled 3 million cases and apricot production 700,000 cases. Respective 1972 levels were 2.2 million cases for pears and 800,000 for apricots. Canned mixed fruit production was 2.1 million cases, a level surpassed only in 1970.

Australia forecasts larger 1973 exports of all items. Exports during the first 6 months of 1973 totaled 4.4 million cases, compared with 2.8 million a year earlier. The United Kingdom is the largest market for all items. West Germany and Canada are major markets for peaches and pears while Japan is an important outlet for peaches.

Favorable Weather Boosts French Walnut Crop

France's 1973 walnut crop is estimated at 33,000 short tons (inshell basis), up 9 percent from the revised estimate of 30,000 tons harvested last year. Due to good weather, the walnuts are better in quality and larger in size than normally.

Exports increased from 9,164 short tons (inshell basis) in 1971-72 to an estimated 11,000 tons in 1972-73. Exports for 1973-74 are forecast at about 13,000 tons. West Germany is France's principal export market.

Imports, on the other hand, decreased by 33 percent from 6,600 short tons (inshell basis) in 1971-72 to 2,200 tons during 1972-73. Imports during 1973-74 are forecast at about the same level as they were in 1972-73. The United States, China, and Romania were France's principal 1972-73 season sources for inshell nuts and Turkey and Hungary for kernels.

Prices for Bordeaux extra halves climbed substantially above the $2 level for the first time in 1972. This increase took place despite the reported record crop in that region last year. This is significant because Bordeaux walnuts averaged about $1.63 a pound in October 1971 and skyrocketed to an average of $2.36 in October 1972, an unprecedented 45-percent increase. Normally, in periods of bumper crops, prices stabilize or decrease. In this instance, prices continued to rise.

Greece Sets Dried Fig Supports

Greece has announced its support policy for 1973 crop dried figs. The income-support payments in effect during 1972 have been discontinued due to higher world fig prices. Producers are eligible to deliver any part of the 1973 crop to the SYKKI Co-op organization. Advance producer payments at delivery are grade A—10.6 cents per pound, grade B—8.3 cents per pound, and grade C—7.6 cents per pound.

After sale to exporters, SYKKI will remit to each producer a share of final sales revenue minus advance payment and expenses.

Other Foreign Agriculture Publications

- World Coffee Harvest Lower for 1973-74 (FCOF-4-73)
- Record World Wheat Crop Forecast for 1973; Rye Declines (FG-13-73)
- Record World Barley Crop in 1973; Oats Also Gain (FG-14-73)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918 S.; Tel.: 202-447-7937.

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U.K. SOYBEAN OIL MARKET EXPECTED TO GROW

Continued from page 9

crease in British soybean oil production as a result of expanded soybean processing to satisfy demands for soybean meal; a declining marketing margin for soybean oil in the United Kingdom as a result of growing duty-free competition from EC crushers, and new crushing capacity within the United Kingdom.

The entry of the United Kingdom into the EC and subsequent adoption of the EC's tariff schedule is resulting in a new tariff structure for the United Kingdom favoring soybean oil over many competing edible fats and oils. This, however, will not be of any particular benefit to non-EC crushers, such as the U.S. industry, which will continue to pay a duty on oil exports into the United Kingdom.

Under the new tariff structure, the duty on soybean oil from crushings in EC countries, which are surplus producers, will decline to zero by 1977, compared with 15 percent for soybean oil from all but Commonwealth countries before 1973. By 1977, U.K. tariffs on most other Commonwealth oils will have risen from zero to 10 percent, except for palm oil which will have gone from zero to 6 percent for crude and to 14 percent for refined.

Thus, the main factors affecting British demand for soybean oil are changing tastes for edible oil products utilizing soybean oil, changing technology which will make it more commercially useful, and changing relative prices. All three of these factors are expected to favor expanded use of soybean oil in the United Kingdom over the next several years.

SOYBEAN OIL: QUANTITY AND PERCENT OF UTILIZATION BY TYPE OF PRODUCT, UNITED KINGDOM, 1965-71

Year	In margarine		In compound cooking fat		In other edible products		Total
	1,000 metric tons	*Percent*	*1,000 metric tons*	*Percent*	*1,000 metric tons*	*Percent*	*1,000 metric tons*
1965	31.50	43.8	11.18	15.6	29.22	40.6	71.9
1966	25.40	37.3	6.10	9.0	36.60	53.7	68.1
1967	21.33	34.9	6.10	10.0	33.67	55.1	61.1
1968	16.26	28.4	3.05	5.3	37.99	66.3	57.3
1969	24.38	33.4	5.08	7.0	43.54	59.6	73.0
1970	47.75	41.7	7.10	6.2	59.65	52.1	114.5
1971	60.96	44.7	8.12	6.0	67.22	49.3	136.3
Average		39.1		8.0		52.9	

Source: Computed from data compiled by the Office of U.S. Agricultural Attache, London and from U.K. Ministry of Agriculture, Fisheries and Food, "Manufacturers' Returns" CW63, Unpublished data, London: February 1972.

PRICES: PERCENT DIFFERENCE BETWEEN SELECTED OIL AND SOYBEAN OIL PRICES, UNITED KINGDOM, 1964-72

Year	Fish	Peanut	Cottonseed	Rapeseed	Sunflower	Palm
1964	−11.8	+35.6	+13.5	+ 9.6	+ 9.7	+ 4.2
1965	−20.0	+19.4	+ 3.3	− 3.1	+ 7.1	+ .6
1966	−25.1	+13.1	+ 5.6	− 6.7	− 1.9	− 9.7
1967	−32.0	+30.5	+22.4	− 4.7	− 4.3	+ 2.7
1968	−44.2	+52.0	+36.9	− 9.5	− 5.3	− 4.9
1969	−23.5	+69.5	+46.4	−11.5	+ 7.9	− 5.7
1970	−12.9	+33.5	+23.3	−	+14.6	− 8.0
1971	−34.9	+45.5	+29.5	−13.2	+21.0	−14.2
1972	−38.1	+74.8	+35.1	− 7.0	+35.1	−10.7
Annual average difference	−26.9	+41.5	+24.0	−5.7	+9.2	−5.1

Source: Computed from data in The Commonwealth Secretariat, *Vegetable Oils and Oilseeds, A Review*, London: 1972 and *London Public Ledger*, 1971, 1972.

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